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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 21, 2001

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

CASE NO. INS010248

Ex Parte: In the matter of  
Adopting Revisions to the Rules  
Governing Long-Term Care Insurance

ORDER TO TAKE NOTICE

WHEREAS, § 12.1-13 of the Code of Virginia provides that the Commission shall have the power to promulgate rules and regulations in the enforcement and administration of all laws within its jurisdiction, and § 38.2-223 of the Code of Virginia provides that the Commission may issue any rules and regulations necessary or appropriate for the administration and enforcement of Title 38.2 of the Code of Virginia;

WHEREAS, § 38.2-5202 of the Code of Virginia also provides that the Commission shall promulgate such regulations regarding long-term care insurance policies and certificates as it deems appropriate;

WHEREAS, the rules and regulations issued by the Commission pursuant to § 38.2-223 of the Code of Virginia are set forth in Title 14 of the Virginia Administrative Code;

WHEREAS, the Bureau of Insurance has submitted to the Commission proposed revisions to Chapter 200 of Title 14 of the

Virginia Administrative Code entitled "Rules Governing Long-Term Care Insurance," which amend the rules at 14 VAC 5-200-20, 14 VAC 5-200-30, 14 VAC 5-200-40, 14 VAC 5-200-70, 14 VAC 5-200-75, 14 VAC 5-200-80, 14 VAC 5-200-160, and 14 VAC 5-200-175, add new Forms A and E, and designate current Forms A, B, and C to be Forms B, C, and D, respectively, as well as amend the newly designated Form B;

WHEREAS, the proposed revisions reflect amendments which clarify disclosure requirements in connection with policy renewability, provide disclosure requirements in connection with rating practices, clarify that copies of advertisements must be provided to the Commission, and provide that the Bureau of Insurance may amend the forms attached to these Rules; and

WHEREAS, the Commission is of the opinion that the proposed revisions should be considered for adoption with a proposed effective date of February 1, 2002;

THEREFORE, IT IS ORDERED THAT:

(1) The proposed revisions to the "Rules Governing Long-Term Care Insurance," which amend the rules at 14 VAC 5-200-20, 14 VAC 5-200-30, 14 VAC 5-200-40, 14 VAC 5-200-70, 14 VAC 5-200-75, 14 VAC 5-200-80, 14 VAC 5-200-160, and 14 VAC 5-200-175, add new Forms A and E, and designate current Forms A, B, and C to be Forms B, C, and D, respectively, as well as amend the newly designated Form B, be attached hereto and made a part hereof;

(2) All interested persons who desire to comment in support of or in opposition to, or to request a hearing to oppose the adoption of, the proposed revisions shall file such

comments or hearing request on or before October 31, 2001, in writing with the Clerk of the Commission, Document Control Center, P.O. Box 2118, Richmond, Virginia 23218 and shall refer to Case No. INS010248;

(3) If no written request for a hearing on the proposed revisions is filed on or before October 31, 2001, the Commission, upon consideration of any comments submitted in support of or in opposition to the proposed revisions, may adopt the revisions proposed by the Bureau of Insurance;

(4) AN ATTESTED COPY hereof, together with a copy of the proposed revisions, shall be sent by the Clerk of the Commission to the Bureau of Insurance in care of Deputy Commissioner Gerald A. Milsky, who forthwith shall give further notice of the proposed adoption of the revisions to the rules by mailing a copy of this Order, together with a draft of the proposed revisions, to all insurers licensed by the Commission to write long-term care insurance in the Commonwealth of Virginia; and by forwarding a copy of this Order, together with a draft of the proposed revisions, to the Virginia Registrar of Regulations for appropriate publication in the Virginia Register of Regulations; and

(5) The Bureau of Insurance shall file with the Clerk of the Commission an affidavit of compliance with the notice requirements of paragraph (4) above.

STATE CORPORATION COMMISSION

BUREAU OF INSURANCE

CHAPTER 200.

RULES GOVERNING LONG-TERM CARE INSURANCE.

14 VAC 5-200-20. Contracts effective prior to ~~December 1, 2000~~ February 1, 2002.

Except as otherwise specifically provided, each long-term care policy delivered or issued for delivery in this Commonwealth prior to ~~December 1, 2000~~ February 1, 2002, shall be subject to this chapter as it existed at the time the policy was issued or issued for delivery.

14 VAC 5-200-30. Applicability and scope.

Except as otherwise specifically provided, this chapter applies to all long-term care insurance policies delivered or issued for delivery in this Commonwealth, on or after ~~December 1, 2000~~ February 1, 2002, by insurers, fraternal benefit societies, health services plans, health maintenance organizations, cooperative non-profit life benefit companies or mutual assessment life, accident and sickness insurers.

14 VAC 5-200-40. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings unless the context clearly indicates otherwise:

"Applicant" means in the case of an individual long-term care insurance policy, the person who seeks to contract for such benefits, or in the case of a group long-term care insurance policy, the proposed certificateholder.

"Certificate" means any certificate or evidence of coverage issued under a group long-term care insurance policy, which policy has been delivered or issued for delivery in this Commonwealth.

"Commission" means the Virginia State Corporation Commission.\_

"Expected loss ratio" means the ratio of the present value of future premiums to the present value of

future benefits over the entire period of the contract.

"Group long-term care insurance" means a long-term care insurance policy which complies with § 38.2-3521.1 or § 38.2-3522.1 of the Code of Virginia delivered or issued for delivery in this Commonwealth.

"Insurer" means any insurance company, health services plan, fraternal benefit society, health maintenance organization, cooperative non-profit life benefit company, or mutual assessment life, accident and sickness insurer.

"Long-term care insurance" means any insurance policy or rider primarily advertised, marketed, offered or designed to provide coverage for not less than 12 consecutive months for each covered person on an expense incurred, indemnity, prepaid, or other basis, for one or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance, personal care, mental health or substance abuse services, provided in a setting other than an acute care unit of a hospital. Such term includes group and individual annuities and life insurance policies or riders which provide directly or which supplement long-term care insurance ~~whether issued by insurers, fraternal benefit societies, health services plans, health maintenance organizations, cooperative non-profit life benefit companies or mutual assessment life, accident and sickness insurers.~~ Such term also includes a policy or rider which provides for payment of benefits based upon cognitive impairment or the loss of functional capacity. Long-term care insurance shall not include any insurance policy which is offered primarily to provide basic Medicare supplement coverage, basic hospital expense coverage, basic medical-surgical expense coverage, hospital confinement indemnity coverage, major medical expense coverage, disability income or related asset-protection coverage, accident only coverage, specified disease or specified accident coverage, or limited benefit health coverage. With regard to life insurance, this term does not include life insurance policies which accelerate the death benefit specifically for one or more of the qualifying events of terminal illness, medical conditions requiring extraordinary medical intervention, or permanent institutional confinement, and which provide the option of a lump-sum payment for those benefits and in

which neither the benefits nor the eligibility for the benefits is conditioned upon the receipt of long-term care. Notwithstanding any other provision contained herein, any product advertised, marketed or offered as long-term care insurance shall be subject to the provisions of this chapter. Health maintenance organizations, cooperative non-profit life benefit companies and mutual assessment life, accident and sickness insurers shall apply to the commission for approval to provide long-term care insurance prior to issuing this type of coverage.

"Policy" means any individual or group policy of insurance, contract, subscriber agreement, certificate, rider or endorsement delivered or issued for delivery in this Commonwealth by an insurer; ~~fraternal benefit society, health services plan, health maintenance organization, cooperative non-profit life benefit company, or mutual assessment life, accident and sickness insurer.~~

14 VAC 5-200-70. Required disclosure provisions.

A. Renewability. Individual long-term care insurance policies which contain renewability provisions shall ~~contain a renewability provision~~ disclose the terms of renewability in a renewability provision.

1. Such provision shall be appropriately captioned, shall appear on the first page of the policy, and shall clearly state the duration, where limited, of renewability and the duration of the term of coverage for which the policy is issued and for which it may be renewed that the coverage is guaranteed renewable or noncancellable. This provision shall not apply to policies which do not contain a renewability provision, and under which the right to nonrenew is reserved solely to the policyholder.

2. A long-term care insurance policy or certificate, other than one where the insurer does not have the right to change the premium, shall include a statement that the premium rates may change.

B. Riders and endorsements. Except for riders or endorsements by which the insurer effectuates a request made in writing by the insured under an individual long-term care insurance policy, all riders or

endorsements added to an individual long-term care insurance policy after date of issue or at reinstatement or renewal which reduce or eliminate benefits or coverage in the policy shall require signed acceptance by the individual insured. After the date of policy issue, any rider or endorsement which increases benefits or coverage with a concomitant increase in premium during the policy term must be agreed to in writing signed by the insured, except if the increased benefits or coverage are required by law. Where a separate additional premium is charged for benefits provided in connection with riders or endorsements, such premium charge shall be set forth in the policy, rider or endorsement.

C. Payment of benefits. A long-term care insurance policy which provides for the payment of benefits based on standards described as "usual and customary," "reasonable and customary" or words of similar import shall include a definition of such terms and an explanation of such terms in its accompanying outline of coverage.

D. Limitations. If a long-term care insurance policy or certificate contains any limitations with respect to preexisting conditions, such limitations shall appear as a separate paragraph of the policy or certificate and shall be labeled as "Preexisting Condition Limitations."

E. Other limitations or conditions on eligibility for benefits. A long-term care insurance policy or certificate containing any limitations or conditions for eligibility other than those prohibited in § 38.2-5205 A of the Code of Virginia shall set forth a description of such limitations or conditions, including any required number of days of confinement prior to receipt of benefits, in a separate paragraph of the policy or certificate and shall label such paragraph "Limitations or Conditions on Eligibility for Benefits."

F. Disclosure of tax consequences. With regard to life insurance policies which provide an accelerated benefit for long-term care, a disclosure statement is required at the time of application for the policy or rider and at the time the accelerated benefit payment request is submitted that receipt of these accelerated benefits may be taxable, and that assistance should be sought from a personal tax advisor. The disclosure statement shall be prominently displayed on the first page of the policy or rider and any

other related documents.

G. Benefit triggers. Activities of daily living and cognitive impairment shall be used to measure an insured's need for long-term care and shall be described in the policy or certificate in a separate paragraph and shall be labeled "Eligibility for the Payment of Benefits." Any additional benefit triggers shall also be explained in this section. If these triggers differ for different benefits, explanation of the trigger shall accompany each benefit description. If an attending physician or other specified person must certify a certain level of functional dependency in order to be eligible for benefits, this too shall be specified.

14 VAC 5-200-75. Required disclosure of rating practices to consumer.

A. This section shall apply as follows:

1. Except as provided in subdivision 2 of subsection A, this section applies to any long-term care policy or certificate issued in this Commonwealth on or after August 1, 2002.
2. For certificates issued on or after February 1, 2002, under a group long-term care insurance policy as defined in 14 VAC 5-200-40, which policy was in force on February 1, 2002, the provisions of this section shall apply on the policy anniversary on or after February 1, 2003.

B. Other than policies for which no applicable premium rate or rate schedule increases can be made, insurers shall provide all of the information listed in this subsection to the applicant at the time of application or enrollment, unless the method of application does not allow for delivery at that time. In such a case, an insurer shall provide all of the information listed in this section to the applicant no later than at the time of delivery of the policy or certificate.

1. A statement that the policy may be subject to rate increases in the future;
2. An explanation of potential future premium rate revisions, and the policyholder's or certificateholder's option in the event of a premium rate revision;
3. The premium rate or rate schedules applicable to the applicant that will be in effect until a request is made for an increase;



4. A general explanation for applying premium rate or rate schedule adjustments that shall include:

a. A description of when premium rate or rate schedule adjustments will be effective (e.g., next anniversary date, next billing date, etc.); and

b. The right to a revised premium rate or rate schedule as provided in subdivision 2 of this subsection D if the premium rate or rate schedule is changed;

5. a. Information regarding each premium rate increase on this policy form or similar policy forms over the past ten years for this Commonwealth or any other state that, at a minimum, identifies:

(1) The policy forms for which premium rates have been increased;

(2) The calendar years when the form was available for purchase; and

(3) The amount or percent of each increase. The percentage may be expressed as a percentage of the premium rate prior to the increase, and may also be expressed as minimum and maximum percentages if the rate increase is variable by rating characteristics.

b. The insurer may, in a fair manner, provide additional explanatory information related to the rate increases.

c. An insurer shall have the right to exclude from the disclosure premium rate increases that only apply to blocks of business acquired from other nonaffiliated insurers or the long-term care policies acquired from other nonaffiliated insurers when those increases occurred prior to the acquisition.

d. If an acquiring insurer files for a rate increase on a long-term care policy form acquired from nonaffiliated insurers or a block of policy forms acquired from nonaffiliated insurers on or before the later of the effective date of this section or the end of a 24 month period following the acquisition of the block or policies, the acquiring insurer may exclude that rate increase from the disclosure. However, the nonaffiliated selling company shall include the disclosure of that rate increase in accordance with subdivision a of subdivision 5.

e. If the acquiring insurer in subdivision d of subdivision 5 files for a subsequent rate increase, even within the 24 month period, on the same policy form acquired from nonaffiliated insurers or block of policy forms acquired from nonaffiliated insurers referenced in subdivision d of subdivision 5, the acquiring insurer shall make all disclosures required by subdivision 5 of this subsection, including disclosure of the earlier rate increase referenced in subdivision d of subdivision 5.

C. An applicant shall sign an acknowledgement at the time of application, unless the method of application does not allow for signature at that time, that the insurer made the disclosure required under subdivisions B 1 and 5 of this section. If due to the method of application the applicant cannot sign an acknowledgement at the time of application, the applicant shall sign no later than at the time of delivery of the policy or certificate.

D. An insurer shall use Forms B and E attached to these rules, or as later modified by the Bureau of Insurance, to comply with the requirements of subsections A and B of this section.

E. An insurer shall provide notice of an upcoming premium rate schedule increase to all policyholders or certificateholders, if applicable, at least 60 days prior to the implementation of the premium rate schedule increase by the insurer. The notice shall include the information required by subsection B of this section when the rate increase is implemented.

14 VAC 5-200-80. Prohibition of post-claims underwriting.

A. All applications and enrollment forms for long-term care insurance policies or certificates except those which are guaranteed issue shall contain clear and unambiguous questions designed to ascertain the health condition of the applicant.

B. Requirements for applications or enrollment forms:

1. If an application or enrollment form for long-term care insurance contains a question which asks whether the applicant has had medication prescribed by a physician, it must also ask the applicant to list each medication that has been prescribed.

2. If the medications listed in such application or enrollment form were known by the insurer,

or should have been known at the time of application, to be directly related to a medical condition for which coverage would otherwise be denied, then the policy or certificate shall not be rescinded for that condition, even if such condition is not otherwise disclosed in the application or enrollment form.

C. Except for policies or certificates which are guaranteed issue:

1. The following language shall be set out conspicuously and in close conjunction with the applicant's signature block on an application or enrollment form for a long-term care insurance policy or certificate:

Caution: If your answers on this application or enrollment form are incorrect or untrue, [company] has the right to deny benefits or rescind your [policy] [certificate].

The agent and the applicant must sign this section.

2. The following language, or language substantially similar to the following, shall be set out conspicuously, in bold face type, on the long-term care insurance policy or certificate at the time of delivery:

Caution: This policy may not apply when you have a claim! Please read! The issuance of this long-term care insurance [policy] [certificate] is based upon your responses to the questions on your application [enrollment form]. A copy of your [application] [enrollment form] [is enclosed] [was retained by you when you applied]. If your answers are incorrect or untrue, the company has the right to deny benefits or rescind your [policy] [certificate]. The best time to clear up any questions is now, before a claim arises! If, for any reason, any of your answers are incorrect, contact the company at this address: [insert address].

3. Prior to issuance of a long-term care policy or certificate to an applicant age eighty (80) or older, the insurer shall obtain one of the following:

- a. A report of a physical examination;
- b. An assessment of functional capacity;

- c. An attending physician's statement; or
- d. Copies of medical records.

D. A copy of the completed application or enrollment form (whichever is applicable) shall be delivered to the insured no later than at the time of delivery of the policy or certificate unless it was retained by the applicant at the time of application.

E. Every insurer selling or issuing long-term care insurance benefits shall maintain a record of all policy or certificate rescissions, both state and countrywide, except those which the insured voluntarily effectuated, and shall annually by March 1 furnish this information to the commission in the format prescribed by the National Association of Insurance Commissioners.

14 VAC 5-200-160. Filing requirements for advertising.

A. Every insurer providing long-term care insurance or benefits in this Commonwealth shall provide a copy of any long-term care insurance advertisement, as defined in 14 VAC 5-90-30, intended for use in this Commonwealth whether through written, radio or television or other electronic medium to the commission ~~for review or approval by the commission to the extent it may be required under state law.~~ To the extent that it may be required or permitted under the laws of this Commonwealth, the commission may review or review for approval all such advertisements. In addition, all advertisements shall be retained by the insurer for at least three years from the date the advertisement was first used.

B. The commission may exempt from these requirements any advertising form or material when in the commission's opinion, this requirement may not be reasonably applied.

14 VAC 5-200-175. Suitability.

A. This section shall not apply to life insurance policies that accelerate benefits for long-term care.

B. Every insurer, ~~health care service plan or other entity~~ marketing long-term care insurance (the "issuer") shall:

1. Develop and use suitability standards to determine whether the purchase or replacement of long-term care insurance is appropriate for the needs of the applicant;
2. Train its agents in the use of its suitability standards; and
3. Maintain a copy of its suitability standards and make them available for inspection upon request by the commission.

C. 1. To determine whether the applicant meets the standards developed by the issuer, the agent and issuer shall develop procedures that take the following into consideration:

- a. The ability to pay for the proposed coverage and other pertinent financial information related to the purchase of the coverage;
- b. The applicant's goals or needs with respect to long-term care and the advantages and disadvantages of insurance to meet these goals or needs; and
- c. The values, benefits and costs of the applicant's existing insurance, if any, when compared to the values, benefits and costs of the recommended purchase or replacement.

2. The issuer, and where an agent is involved, the agent shall make reasonable efforts to obtain the information set out in subdivision 1 of this subsection. The efforts shall include presentation to the applicant, at or prior to application, of the "Long-Term Care Insurance Personal Worksheet." The personal worksheet used by the issuer shall contain, at a minimum, the information in the format contained in Form ~~A-B~~ as attached hereto or later amended by the Bureau of Insurance, in not less than 12-point type. The issuer may request the applicant to provide additional information to comply with its suitability standards. A copy of the issuer's personal worksheet shall be filed with the commission for approval as required for a policy pursuant to § 38.2-316 of the Code of Virginia.

3. A completed personal worksheet shall be returned to the issuer prior to the issuer's consideration of the applicant for coverage, except the personal worksheet need not be returned for sales of employer group long-term care insurance to employees and their spouses.

4. The sale or dissemination outside the company or agency by the issuer or agent of information obtained through the personal worksheet in Form ~~A~~ B is prohibited.

D. The issuer shall use the suitability standards it has developed pursuant to this section in determining whether issuing long-term care insurance coverage to an applicant is appropriate.

E. Agents shall use the suitability standards developed by the issuer in marketing long-term care insurance.

F. At the same time as the personal worksheet is provided to the applicant, the disclosure form entitled “Things You Should Know Before You Buy Long-Term Care Insurance” shall be provided. The form shall be in the format contained in Form ~~B~~ C as attached hereto or as later amended by the Bureau of Insurance, in not less than 12-point type.

G. If the issuer determines that the applicant does not meet its financial suitability standards, or if the applicant has declined to provide the information, the issuer may reject the application. In the alternative, the issuer shall send the applicant a letter similar to Form ~~C~~ D as attached hereto or as later amended by the Bureau of Insurance. If a letter similar to Form ~~C~~ D is sent, it may be in lieu of a notice of adverse underwriting decision as set forth in § 38.2-610 of the Code of Virginia. However, if the applicant has declined to provide financial information, the issuer may use some other method to verify the applicant’s intent. Either the applicant’s returned letter or a record of the alternative method of verification shall be made part of the applicant’s file.

H. The issuer shall report annually by June 30 to the commission the total number of applications received from residents of this ~~state~~ Commonwealth, the number of those who declined to provide information on the personal worksheet, the number of applicants who did not meet the suitability standards, and the number of those who chose to confirm after receiving a suitability letter.

## FORMS

Recission Reporting Form, Form A (eff. 02/01/02)

Long-Term Care Personal Worksheet, Form ~~A~~ B (eff. ~~12/01/00~~ rev. 02/01/02 )

Things You Should Know Before You Buy Long-Term Care Insurance-, Form ~~B~~ C (eff. ~~12/01/00~~ rev. 02/01/02)

Long-Term Care Insurance Suitability Letter, Form ~~C~~ D (eff. ~~12/01/00~~ rev. 02/01/02)

Potential Rate Increase Disclosure Form, Form E (eff. 02/01/02)

**RESCISSION REPORTING FORM FOR**  
**LONG-TERM CARE POLICIES**  
**FOR THE COMMONWEALTH OF VIRGINIA**  
**FOR THE REPORTING YEAR 20[ ]**

Company Name: \_\_\_\_\_

Company NAIC Number: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Phone Number: \_\_\_\_\_

\_\_\_\_\_ Due: March 1 annually

Instructions:

The purpose of this form is to report all rescissions of long-term care insurance policies or certificates. Those rescissions voluntarily effectuated by an insured are not required to be included in this report. Please furnish one form per rescission.

| <u>Policy<br/>Form #</u> | <u>Policy and<br/>Certificate #</u> | <u>Name of<br/>Insured</u> | <u>Date of<br/>Policy<br/>Issuance</u> | <u>Date/s<br/>Claim/s<br/>Submitted</u> | <u>Date of<br/>Rescission</u> |
|--------------------------|-------------------------------------|----------------------------|--|---|-------------------------------|
|                          |                                     |                            |  |   |                               |

Detailed \_\_\_\_\_ reason \_\_\_\_\_ for \_\_\_\_\_ rescission:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title (please type)

\_\_\_\_\_  
Date



## **Long-Term Care Insurance Personal Worksheet**

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People buy long-term care insurance for many reasons. Some don't want to use their own assets to pay for long-term care. Some buy insurance to make sure they can choose the type of care they get. Others don't want their family to have to pay for care or don't want to go on Medicaid. But long-term care insurance may be expensive, and may not be right for everyone.

By state law, the insurance company must fill out part of the information on this worksheet and ask you to fill out the rest to help you and the company decide if you should buy this policy.

### **Premium Information**

Policy Form Number(s) \_\_\_\_\_

The premium for the coverage you are ~~thinking about buying~~ considering will be [\$\_\_\_\_\_ per month, or \$\_\_\_\_\_ per year,] [a one-time single premium of \$\_\_\_\_\_].

**Type of Policy** (noncancellable/guaranteed renewable) \_\_\_\_\_

### **The Company's Right to Increase Premiums:**

[The company cannot raise your rates on this policy.] [The company has a right to increase premiums on this policy form in the future provided it raises rates for all policies in the same class in this Commonwealth.] [Insurers shall use appropriate bracketed statement. Rate guarantees shall not be shown on this form.]

### **Rate Increase History**

The company has sold long-term care insurance since [year] and has sold this policy since [year]. ~~[The last rate increase for this policy in this state was in [year], when premiums went up by an average of \_\_\_\_\_%. [The company has not raised its rates for this policy.] [The company has never raised its rates for any long-term care policy it has sold in this state Commonwealth or any other state.] [The company has not raised its rates for this policy form or similar policy forms in this state Commonwealth or any other state in the last ten years.] [The company has raised its premium rates on this policy form or similar policy forms in the last ten years. Following is a summary of the rate increase(s).]~~

### **Questions Related to Your Income**

How will you pay each year's premium? (Check One)

☐ From my income \_\_\_\_\_ ☐ From my savings/investments \_\_\_\_\_ ☐ My family will pay \_\_\_\_\_

[☐ Have you considered whether you could afford to keep this policy if the premiums went up, for example, by 20%?]

How will you pay each year's premium?

☒ From my Income ☒ From my Savings/Investments ☒ My Family will pay

### **Income**

What is your annual income? (check one)

☐ Under \$10,000 ☐ \$[10-20,000] ☐ \$[20-30,000] ☐ \$[30-50,000] ☐ Over \$50,000

How do you expect your income to change over the next 10 years? (check one)

☐ No change ☐ Increase ☐ Decrease

*If you will be paying premiums with money received only from your own income, a rule of thumb is that you may not be able to afford this policy if the premiums will be more than 7% of your income.*

**Will you buy inflation protection?** (check one) ☐ Yes ☐ No

If not, have you considered how you will pay for the difference between future costs and your daily benefit amount?

☐ From my income ☐ From my Savings/Investments ☐ My family will pay

*The national average annual cost of care in [insert year] was [insert \$ amount], but this figure varies across the country. In ten years the national average annual cost would be about [insert \$ amount] if costs increase 5% annually.*

**What elimination period are you considering?** Number of days \_\_\_\_\_ Approximate cost \$ \_\_\_\_\_ for that period of care.

**How are you planning to pay for your care during the elimination period?** (Check one)

☐ From my Income ☐ From my savings/investments ☐ My family will pay

### **Questions Related to Your Savings and Investments**

Not counting your home, about how much are all of your assets (your savings and investments) worth (your savings and investments)? (check one)

☐ Under \$20,000 ☐ \$20,000-\$30,000 ☐ \$30,000-\$50,000 ☐ Over \$50,000

How do you expect your assets to change over the next ten years? (check one)

☐ Stay about the same ☐ Increase ☐ Decrease

*If you are buying this policy to protect your assets and your assets are less than \$30,000, you may wish to consider other options for financing your long-term care.*

|   |  |
|---|--|
| <input type="checkbox"/> <del>The answers to the questions above describe my financial situation.</del> | <input type="checkbox"/> <del>I choose not to complete this information.</del> |
|---|--|

|  |
|--|
| <input type="checkbox"/> <u>The answers to the questions above describe my financial situation.</u><br><u>or</u><br><input type="checkbox"/> <u>I choose not to complete this information</u><br><u>(check one)</u>  |
| <input type="checkbox"/> <u>I acknowledge that the company and/or its agent (below) has reviewed this form with me including the premium, premium rate increase history and potential for premium increases in the future. [For direct mail situations, use the following: I acknowledge that I have reviewed this form including the premium, premium rate history and potential for premium increases in the future.] I understand the above disclosures. <b>I understand that the rates for this policy may increase in the future.</b></u><br><u>(This box must be checked).</u> |
|  |

Signed: \_\_\_\_\_ (Applicant) \_\_\_\_\_ (Date)

☐ I explained to the applicant the importance of completing this information.

Signed: \_\_\_\_\_ (Agent) \_\_\_\_\_ (Date)

Agent's Printed Name: \_\_\_\_\_ ]

[**Note:** In order for us to process your application, please return this signed statement to [name of company], along with your application.]

[My agent has advised me that this policy does not seem to be suitable for me. However, I still want the company to consider my application.

Signed: \_\_\_\_\_  
(Applicant) (Date)

*The company may contact you to verify your answers.*

## **Things You Should Know Before You Buy Long-Term Care Insurance**

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- |                                 |   |
|---------------------------------|---|
| <b>Long-Term Care Insurance</b> | <ul style="list-style-type: none"> <li>• A long-term care insurance policy may pay most of the costs for your care in a nursing home. Many policies also pay for care at home or other community settings. Since policies can vary in coverage, you should read this policy and make sure you understand what it covers before you buy it.</li> <li>• [You should <b>not</b> buy this insurance policy unless you can afford to pay the premiums every year.] [Remember that the company can increase premiums in the future.]</li> <li>• The personal worksheet includes questions designed to help you and the company determine whether this policy is suitable for your needs.</li> </ul>   |
| <b>Medicare</b>                 | <ul style="list-style-type: none"> <li>• Medicare does <b>not</b> pay for most long-term care.</li> </ul>   |
| <b>Medicaid</b>                 | <ul style="list-style-type: none"> <li>• Medicaid will generally pay for long-term care if you have very little income and few assets. You probably should <b>not</b> buy this policy if you are now eligible for Medicaid.</li> <li>• Many people become eligible for Medicaid after they have used up their own financial resources by paying for long-term care services.</li> <li>• When Medicaid pays your spouse's nursing home bills, you are allowed to keep your house and furniture, a living allowance, and some of your joint assets.</li> <li>• Your choice of long-term care services may be limited if you are receiving Medicaid. To learn more about Medicaid, contact your local or state Medicaid agency.</li> </ul> |
| <b>Shopper's Guide</b>          | <ul style="list-style-type: none"> <li>• Make sure the insurance company or agent gives you a copy of a book called the National Association of Insurance Commissioners' "Shopper's Guide to Long-Term Care Insurance." Read it carefully. If you have decided to apply for long-term care insurance, you have the right to return the policy within 30 days and get back any premium you have paid if you are dissatisfied for any reason or choose not to purchase the policy.</li> </ul>   |
| <b>Counseling</b>               | <ul style="list-style-type: none"> <li>• Free counseling and additional information about long-term care insurance are available through your state's insurance counseling program. Contact your state insurance department or department on aging for more information about the senior health insurance counseling program in your state.</li> </ul>  |

## **Long-Term Care Insurance Suitability Letter**

Dear [Applicant]:

Your recent application for long-term care insurance included a “personal worksheet,” which asked questions about your finances and your reasons for buying long-term care insurance. For your protection, state law requires us to consider this information when we review your application, to avoid selling a policy to those who may not need coverage.

[Your answers indicate that long-term care insurance may not meet your financial needs. We suggest that you review the information provided along with your application, including the booklet “Shopper’s Guide to Long-Term Care Insurance” and the page titled “Things You Should Know Before Buying Long-Term Care Insurance.” Your state insurance department also has information about long-term care insurance and may be able to refer you to a counselor free of charge who can help you decide whether to buy this policy.]

[You chose not to provide any financial information for us to review.]

We have suspended our final review of your application. If, after careful consideration, you still believe this policy is what you want, check the appropriate box below and return this letter to us within the next 60 days. We will then continue reviewing your application and issue a policy if you meet our medical standards.

If we do not hear from you within the next 60 days, we will close your file and not issue you a policy. You should understand that you will not have any coverage until we hear back from you, approve your application and issue you a policy.

*Please check one box and return in the enclosed envelope.*

- ☐ **Yes**, [although my worksheet indicates that long-term care insurance may not be a suitable purchase,] I wish to purchase this coverage. Please resume review of my application.
- ☐ **No**. I have decided not to buy a policy at this time.

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APPLICANT’S SIGNATURE

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DATE

*Please return to [issuer] at [address] by [date].*

**Instructions:**

This form provides information to the applicant regarding premium rate schedules, rate schedule adjustments, potential rate revisions, and policyholder options in the event of a rate increase.

**Insurers shall provide all of the following information to the applicant:**

**Long Term Care Insurance**  
**Potential Rate Increase Disclosure Form**

1. **[Premium Rate] [Premium Rate Schedules]:** [Premium rate] [Premium rate schedules] that [is][are] applicable to you and that will be in effect until a request is made and [filed][approved] for an increase [is][are] [on the application] [\$ \_\_\_\_\_ ]

2. **The [premium] [premium rate schedule] for this policy [will be shown on the schedule page of] [will be attached to] your policy.**

3. **Rate Schedule Adjustments:**

The company will provide a description of when premium rate or rate schedule adjustments will be effective (e.g., next anniversary date, next billing date, etc.) (fill in the blank):  
\_\_\_\_\_.

4. **Potential Rate Revisions:**

**This policy is Guaranteed Renewable.** This means that the rates for this product may be increased in the future. Your rates can NOT be increased due to your increasing age or declining health, but your rates may go up based on the experience of all policyholders with a policy similar to yours.

**If you receive a premium rate or premium rate schedule increase in the future, you will be notified of the new premium amount and you will be able to exercise at least one of the following options:**

- Pay the increased premium and continue your policy in force as is.
- Reduce your policy benefits to a level such that your premiums will not increase. (Subject to state law minimum standards.)
- Exercise your nonforfeiture option if purchased. (This option is available for purchase for an additional premium.)
- Exercise your contingent nonforfeiture rights.\* (This option may be available if you do not purchase a separate nonforfeiture option.)

*Turn the Page*

**\* Contingent Nonforfeiture**

If the premium rate for your policy goes up in the future and you didn't buy a nonforfeiture option, you may be eligible for contingent nonforfeiture. Here's how to tell if you are eligible:

You will keep some long-term care insurance coverage, if:

- Your premium after the increase exceeds your original premium by the percentage shown (or more) in the following table; and
- You lapse (not pay more premiums) within 120 days of the increase.

The amount of coverage (i.e., new lifetime maximum benefit amount) you will keep will equal the total amount of premiums you've paid since your policy was first issued. If you have already received benefits under the policy, so that the remaining maximum benefit amount is less than the total amount of premiums you've paid, the amount of coverage will be that remaining amount.

Except for this reduced lifetime maximum benefit amount, all other policy benefits will remain at the levels attained at the time of the lapse and will not increase thereafter.

Should you choose this Contingent Nonforfeiture option, your policy, with this reduced maximum benefit amount, will be considered "paid-up" with no further premiums due.

**Example:**

- You bought the policy at age 65 and paid the \$1,000 annual premium for 10 years, so you have paid a total of \$10,000 in premium.
- In the eleventh year, you receive a rate increase of 50%, or \$500 for a new annual premium of \$1,500, and you decide to lapse the policy (not pay any more premiums).
- Your "paid-up" policy benefits are \$10,000 (provided you have a least \$10,000 of benefits remaining under your policy.)

*Turn the Page*



**Contingent Nonforfeiture**  
**Cumulative Premium Increase over Initial Premium**  
**That qualifies for Contingent Nonforfeiture**

(Percentage increase is cumulative from date of original issue. It does NOT represent a one-time increase.)

| <b><u>Issue Age</u></b> | <b><u>Percent Increase Over Initial Premium</u></b> |
|-------------------------|---|
| <u>29 and under</u>     | <u>200%</u>   |
| <u>30-34</u>            | <u>190%</u>   |
| <u>35-39</u>            | <u>170%</u>   |
| <u>40-44</u>            | <u>150%</u>   |
| <u>45-49</u>            | <u>130%</u>   |
| <u>50-54</u>            | <u>110%</u>   |
| <u>55-59</u>            | <u>90%</u>  |
| <u>60</u>               | <u>70%</u>  |
| <u>61</u>               | <u>66%</u>  |
| <u>62</u>               | <u>62%</u>  |
| <u>63</u>               | <u>58%</u>  |
| <u>64</u>               | <u>54%</u>  |
| <u>65</u>               | <u>50%</u>  |
| <u>66</u>               | <u>48%</u>  |
| <u>67</u>               | <u>46%</u>  |
| <u>68</u>               | <u>44%</u>  |
| <u>69</u>               | <u>42%</u>  |
| <u>70</u>               | <u>40%</u>  |
| <u>71</u>               | <u>38%</u>  |
| <u>72</u>               | <u>36%</u>  |
| <u>73</u>               | <u>34%</u>  |
| <u>74</u>               | <u>32%</u>  |
| <u>75</u>               | <u>30%</u>  |
| <u>76</u>               | <u>28%</u>  |
| <u>77</u>               | <u>26%</u>  |
| <u>78</u>               | <u>24%</u>  |
| <u>79</u>               | <u>22%</u>  |
| <u>80</u>               | <u>20%</u>  |
| <u>81</u>               | <u>19%</u>  |
| <u>82</u>               | <u>18%</u>  |
| <u>83</u>               | <u>17%</u>  |
| <u>84</u>               | <u>16%</u>  |
| <u>85</u>               | <u>15%</u>  |
| <u>86</u>               | <u>14%</u>  |
| <u>87</u>               | <u>13%</u>  |
| <u>88</u>               | <u>12%</u>  |
| <u>89</u>               | <u>11%</u>  |
| <u>90 and over</u>      | <u>10%</u>  |